

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OIC-02

IO-13 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 /091 W

----- 129777

R 132119Z AUG 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6731

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AXBMBASSY QUITO 2113

AMEMBASSY SANTIAGO

PL

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E.O. 11652: N/A

TAGS: ECIN, CO, BL, EC, PE, VE,

SUBJECT: ANDEAN PACT MINISTERIAL MEETING

1. COLOMBIAN ANDEAN PACT OFFICIALS HAVE BEEN IN ALMOST CONTINUOUS MEETINGS SINCE THEIHOVMPSSION MET LAST WEEK IN LIMA. THE MEMBER COUNTRIES WERE APPARENTLY TAKEN BY SURPRISE IN LIMA BY THE CHILEAN STANCE EVEN THOUGH THE THRUST OF THE CHILEAN POSITION WAS WELL KNOWN. THE OTHER MEMBERS HAD NOT COORDINATED POSITIONS AND THUS WERE NOT PREPARED TO NEGOTIATE WITH CHILE ON HOW THE DECISION MIGHT BE MADE MORE FLEXIBLE. THE RESULT WAS THE APPEARANCE OF IMPASSE AND CHILEAN RIGIDITY. THE MINISTERIAL MEETING WHICH BEGANLAST NIGHT IN THE SOCHAGOT RESORT, THREE HOURS FROM BOGOTA, IS TO HAMMER OUT A JOINT NEGOTIATING POSITION WITH WHICH TO CONFRONT CHILE.

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2. THE SITUATION IS RATHER CURIOUS FOR COLOMBIA. COLOMBIA'S BASIC ECONOMIC POLICY IS CLOSER TO CHILE'S THAN TO ANY OTHER MEMBER COUNTRY YET ITS VERY STRONG DESIRE TO KEEP THE PACT TOGETHER AND ITS LEGALISTIC APPROACH REPEATEDLY PUT COLOMBIA IN THE POSITION OF TRYING TO WORK OUT A COMMON FRONT TOWARD CHILE. FOR INSTANCE COLOMBIANS ARE WELL AWARE THAT EXCHANGE FREEDOM IN VENEZUELA AND ECUADOR MAKES DECISION 24 REMITTANCE LEVELS MEANINGLESS IN THOSE COUNTRIES AND MAKES RESTRICTIONS ACCRUE TO THE RELATIVE ADVANTAGE OF VENEZUELA AND ECUADOR. COLOMBIA IS ALSO QUITE AWARE THAT HER BASIC DEVELOPMENT POLICY IS CLOSER TO CHILE'S THAN TO ANY OTHER PACT COUNTRY AND FURTHEST FROM VENEZUELA'S. NEVERTHELESS COLOMBIA'S BASIC GOAL IN THIS PRESENT DISPUTE WILL BE TO KEEP THE PACT TOGETHER, IT WILL BE WORKING TOWARD GREATER FLEXIBILITY BUT IT WILL STAND WITH POSITIONS THAT ARE NOT AS LIBERAL AS IT MIGHT DESIRE IN ORDER TO BRING CHILE AROUND IF THIS IS NECESSARY TO REACH SIX COUNTRY AGREEMENT. THE COLOMBIAN POSITION IS DETERMINED PRIMARILY BY THE FOLLOWING REALITIES:

1. COLOMBIA IS THE MOST INDUSTRIALLY DEVELOPED AND THE MOST COMPETITIVE PACT MEMBER. IT HAS THE MOST TO GAIN BY A MUTUAL REDUCTION OF INTERNAL TARIFFS AND THE MOST TO LOSE BY INEFFICIENTLY HIGH TARIFFS.
2. THE REGULATIONS IN DECISION 24 ARE EMBODIED IN COLOMBIAN LEGISLATION WHICH PREDATES DECISION 24. THESE REGULATIONS ARE ALTERABLE BUT THEY ARE CONSIDERED BASIC AND IMPORTANT, AND THE PRESENT MINISTER OF ECONOMIC AFFAIRS SHARES THE CAUTIOUS ATTITUDE TOWARD FOREIGN INVESTMENT WHICH THE LEGISLATION REFLECTS. THUS COLOMBIA MAY NOT BE HIGHLY FLEXIBLE ON ALL ASPECTS OF DECISION 24 MODIFICATION.
3. COLOMBIA BELIEVES STRONGLY THAT IF ANY COUNTRY DROPS OUT OF THE PACT THE PACT WILL LOSE ALL ITS MOMENTUM BECAUSE INVESTMENTS WILL NOT BE MADE TO THE SCALE OF A FULL MEMBERSHIP MARKET.
4. COLOMBIANS ARE REALISTS AND DO NOT BELIEVE THAT INTEGRATION CAN BE ACCOMPLISHED OVER NIGHT. THEY DO NOT VIEW THE PRESENT CRISIS AS UNUSUAL OR TERMINAL LIMITED OFFICIAL USE

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IF OTHER MEMBERS CAN BE MADE TO TAKE A MORE HISTORICAL VIEW OF THE INTEGRATION PROCESS.

5. COLOMBIA REALIZES THAT GIVEN FUNDAMENTALLY DIFFERENT DOMESTIC ECONOMIC POLICIES, INTEGRATION IN A MEANINGFUL SENSE IN THE SHORT RUN IS IMPOSSIBLE, THUS COLOMBIANS WANT AN ANDEAN UMBRELLA OF FLEXIBILITY UNDER WHICH NEGOTIATIONS CAN BE CONDUCTED AS THEY BECOME POSSIBLE. FOR INSTANCE, THEY REALIZE THAT LOW TARIFFS BETWEEN

COLOMBIA AND VENEZUELA WOULD RESULT IN VENEZUELA BEING FLOODED WITH COLOMBIAN GOODS. ON THE OTHERSAND, VENEZUELA AND ECUADOR ALREADY ABSORB GREAT QUANTITIES OF CONTRABAND COLOMBIAN GOODS. COLOMBIA WOULD LIKE TO SEE THIS TRADE LEGITIMIZED IN ORDER TO MAKE THE MARKETS MORE OREAERLY AND TO THE DECREASE TAX FREE AND ILLEGAL INCOME THAT WEAKENS COLOMBIAN INSTITUTIONS.

6. COLOMBIA WANTS THE PACT AS A POLITICAL ENTITY EVEN THOUGH ECONOMICALLY THERE MAY BE ONLY MODEST PROGRESS THAT CAN BE MADE IMMEDIATELY. COLOMBIA WANTS THE PACT AS ABALANCE TO BRAZIL AND MEXICO AND TO DEAL WITH MORE STRENGTH IN THE MULTILATERAL FORA PARTICULARLY WITH THE UNITED STATES.
SANCHEZ

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